



Bulls Need to Proceed with Caution

Due to the Veterans Day holiday on Wednesday, the EIA's weekly update on natural gas storage will be released on Friday at 10:30am EST. The five-year interpolated mean for this report is a 33 Bcf injection. In last week's update, the EIA reported the first delivery of natural gas from underground storage of the season. As of October 30th, L48 storage fell to 3.919 Tcf.

With cooling demand evaporating as of late, injections for this season are not necessarily over. For instance, through last week's EIA reporting period (week ended November 06th), temps in the key Chicago heating-market averaged 11% above-normal at 53°F. Through the first five days of this week (EIA week ended November 13th) Chicago temps are averaging better than 40% above-normal at around a blistering 64°F.

The NYMEX Summer Strip for 2021 traded above \$3.000/MMBtu in back-to-back sessions on October 30th and November 1st. This was the first time this strip traded above this threshold on consecutive sessions since 2016! Since then, however, the market's trend has shrunk on average by 0.10% each trading day and has failed to breach \$3.000.

Gas for next winter is also showing weakness. Two Mondays ago, the 2020-21 Winter Strip peaked at its own 52-week high of \$3.236/MMBtu. Since then, the market has been drifting lower to the tune of 0.02% per session.

The trend in the discount (contango) on summer gas to next winter has grown by 1.12% per session on average since the end of October, rising from -\$0.202/MMBtu to -\$0.226/MMBtu.

From a longer-dated perspective, the market is signaling ample supply by virtue of the growth in the summer 2021 discount to the following winter.

The fundamentals are improving in the energy complex, but the fly in the bulls' ointment is the looming threat of another global shutdown to stem a resurgence in the spread of COVID-19. [OPEC](#) recently cut its forecast for global oil demand for this very reason.



This is bearish.

The spreads on the December 2020, January 2021, and February 2021 contracts (the three main winter markets) point towards gas for this winter running out of steam. Over the last two weeks, December 2021's discount to January 2021 has grown, while January 2021's premium to February 2021 has shrunk.